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August 6, 2001

Via Federal Express

Matthew Cohn, Esq.
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Dear Mr. Cohn, Mr. Peronard, and Mr. Nguyen:

Grace is in receipt of EPA's letter dated July 27, 2001. Grace wishes to provide its intent to comply with items requested by EPA. In the interests of concluding the work required under the UAO, and without waiving any right or future opportunity to contest certain factual and legal assertions made by EPA in its letter, Grace responds directly regarding each action item listed by EPA in order of appearance:

Final Restoration Plan - Grace intends to provide EPA with a new draft Restoration Plan consistent with EPA's most recent demands in its July 27, 2001 letter. Since work under the UAO now involves demolition of the buildings at the Export Plant, we believe the parties need to meet in order to discuss and arrive at a mutually agreed-upon restoration solution, suitable for presentation to the City of Libby and Millwork West. Grace agrees with EPA that

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completion of the Restoration Plan prior to demolition of the buildings is counterproductive in light of EPA's direct order to demolish the Export Plant buildings.

Building Demolition – Grace will amend its existing work plan to conform to EPA's order to demolish all of the buildings on the Export Plant property. This amendment will be provided by August 13, 2001. Building demolition will be performed in the order required by EPA.

The amended plan will include the following tasks:

- Removal of the metal roof in stages, washing of the roof pieces, and stacking of the roof pieces on a flatbed for transportation and disposal at the mine.
- Asphalt shingles underneath the metal roof will be removed and stacked, and the shingles will be covered for transport and disposal at the mine.
- At each building, Grace will push approximately 1 foot of existing clean fill aside, lay the building down, and then cut and stack the building debris in a truck and cover it for transport and disposal at the mine.
- All building foundations will be removed, and excavation of vermiculite to an 18-inch depth from the existing grade will take place as required by the OSC. Excavated areas will be backfilled to grade with clean fill. Concrete will be covered and hauled to the mine in flat beds or end dumps, as appropriate.
- Grace will also amend its work plan to include the demolition of the 2 loading docks, the 4 silo pads, and the concrete slab in the northeast corner of the Export Plant property. This work will be performed consistent with work performed on the building foundations.

Excavation In and Around the Buildings – As suggested by EPA, this additional work will be performed in accordance with the original workplan, and thus no amendment to the workplan is contemplated at this time.

Excavation Along Western Portion of the Export Plant – All work here will be performed in accordance with the original workplan. We will amend the workplan to include excavation in the areas identified by EPA.

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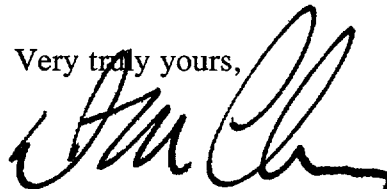
Final Disposition of Soil and Debris Disposed of by Grace at the mine – Grace intends to bring the additional demolition debris to the debris pile, and place newly excavated soils into the Glory Hole. Soil that is presently stockpiled adjacent to the Glory Hole will be subsequently moved into the Glory Hole. Consistent with Grace's original workplan, the debris pile will be covered with soil from the toe, and the Glory Hole will be filled, graded, and seeded.

The issues with the Montana DEQ have been resolved, thus we expect all work to be completed during this construction season.

Traffic and Disposal procedures will be coordinated between Grace and Marcor.

We believe this letter is responsive to EPA's new orders. We would be pleased to arrange to meet with you to discuss open issues such as restoration, and any other issues that remain of concern to EPA.

Very truly yours,



David M. Cleary
SC Bar Application Pending

DMC:dmc

cc:

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